

## GOVERNMENT OF ANDHRA PRADESH

### ABSTRACT

Public Services – A.P. Rajiv Vidya Mission (SSA) – Embezzlement of DPEP / SSA funds - Disciplinary action initiated against officers of Treasuries & Accounts Department – Departmental action initiated against Sri V.Subrahmanyam, Assistant Accounts Officer (Retd.) – Imposition of a punishment of withholding of entire pensionary benefits permanently on Sri V.Subrahmanyam, Assistant Accounts Officer (Retd.) under Rule 9 of A.P. Revised Pension Rules, 1980 and to recover the misappropriated amount of Rs.14,98,02,000/- from him under Revenue Recovery Act – Orders – Issued.

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### FINANCE (ADMN.I.VIG.) DEPARTMENT

G.O.Ms.No. 199

Dated:06-09-2011

Read the following:-

1. State Project Director, SSA, Hyderabad Lr.No.349/FC/SSA/2007, dt:13-03-09 ,16-03-09 and 25-04-09 along with Inquiry Report.
2. DTA Lr.No.KII(8)/5098/2007,dt:21-05-2009.
3. Govt. Memo.No.600/107/A2/Admn.I/2009,dt:15-02-2010.
4. DTA Lr.No.KII(8)/5098/2007,dt:10-05-2010.
5. Govt. Memo.No.600/107/A2/Admn.I/2009,dt:31-05-2010.
6. DTA Lr.No.KII(8)/5098/2007,dt:16-07-2010.
7. Govt. Memo.No.600/107/A2/Admn.I/2009,dt:17-08-2010.
8. DTA Lr.No.KII(8)/5098/2007,dt:15-11-2010 along with explanation of Sri V.Subramanyam,AAO(Retd),dt:24-09-2010.
9. Govt. Lr.No.600/107/A2/Admn.I/2009,dt:23-03-2011 addressed to APPSC.
10. Secretary APPSC Letter No.638/RT-I/1/2011,dt:12-07-2011.

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### ORDER:

The Government of India in collaboration with the State Government embarked on a noble and laudable scheme to eradicate illiteracy in the country. The scheme was sponsored by the Government of India supported by the State Government by granting matching funds. As part of the above objective, the Government of Andhra Pradesh under the Societies Registration Act, registered two Societies, viz., Andhra Pradesh Pradhamika Vidya Parishattu and Andhra Pradesh School Education Society to educate all the children between 6 and 14 years of age and constituted the State Project Director as the executive authority. Two of the beneficial schemes, apart from others, are District Primary Education Programme (DPEP) schemes I, II and III and Sarva Siksha Abhiyan (SSA). For implementing these schemes, every year huge amounts were granted by the Central Government by way of grants and the state Government contributed the matching grants in the proportions laid down, and the total amount was put under the control of the State Project Director to allot the amount to various Districts and also to the Head Office to be incurred for fulfillment of the various objectives and interventions under the above two programmes. For the effective management and disbursement of funds, an office of the State Project Director at Hyderabad and offices in each District headquarters were established under the control of the concerned District Collector. The funds are being allotted to each District Project Office to be spent on various schemes in the said district. For that purpose an office was established at the State headquarters with staff taken on deputation from other Departments of the Government and an Accounts Department was set up with the Finance and Accounts Officer, DPEP as the head of the Department. The Accounts Department, apart from the Finance and Accounts Officer, consists

of number of Senior and Junior Accounts Officers to look after the accounts involving various receipts and expenditure. Among others, Sri V.Subrahmanyam of Treasuries and Accounts Department was taken on deputation as Senior Accountant in the Office of the State Project Director, DPEP scheme, in July, 1996 and promoted as Junior Accounts Officer in 2004 and as Assistant Accounts Officer from 2006. Thus, he has been continuously working in the Accounts Department of the State Project Director's Office right from July, 1996 till the date of his suspension in April, 2007.

2. It is reported that on the instructions of the State Project Director, the Finance Controller examined the records and the funds available in various banks relating to the schemes dealt by the A.P. School Education Society under the control of State Project Director. The Finance Controller took up a very thorough verification of the particulars relating to the expenditure under various programmes and found gaps between the inflow and outflow of funds. He found that an unauthorized account was clandestinely opened in Vijaya Bank, West Maredpally branch in the name of Finance and Accounts Officer (DPEP) with SB Account No.15107. The entries in the said account were not brought to the cash book maintained by the Society and that although the account was in the name of the Finance and Accounts Officer, it was not operated by the Finance and Accounts Officer and it was not an official account. He therefore, obtained the statement of account containing the list of transactions carried out along with photocopies of 2 cheques presented to the Bank by the clandestine operator. He also found none of the transactions was recorded in the cash book maintained by the Society. He, therefore, issued a Memo on 28-3-2007 to Smt. R.Malathy, the then Finance and Accounts Officer, to explain why the said transactions were not carried into the day-book. She replied on 30-3-2007 stating that she was not aware of the very existence of such an account; but she recognized, along with other officers, that the writing over the instruments belonged to Sri V.Subrahmanyam, the then Assistant Accounts Officer. On going into further details of the transactions in the said account it was a clear case of embezzlement of funds by Sri V.Subrahmanyam. A police complaint was lodged on 2-4-2007 itself and even before that Sri V.Subrahmanyam was kept under suspension. On the same day, i.e. on 2-4-2007 a case was registered against V.Subrahmanyam in Saifabad Police Station about the embezzlement of approximately Rs.7.40 Crores.

3. Subsequently on 5-4-2007, the accused officer, Sri V.Subrahmanyam was surrendered to the City Central Crime Police Station. During investigation, he admitted that he had misappropriated the amounts and that he operated unauthorized bank account and diverted some funds from this account and misappropriated with the connivance of Smt. N.Sarasa Devi and shared funds between them. The investigation revealed that 2 accounts--- one in Vijaya Bank, West Maredpally branch with S.B.A/c.No.15107 and the second in Indian Bank, Osmangunj branch with S.B.A/C No.7307—were operated by Sri V.Subrahmanyam and that the total transactions in the two illegal accounts came to Rs.14.98 Crores.

4. The State Project Director, RVM (SSA) has placed Sri.V.Subrahmanyam, AAO, Sri. M.Vidya Sagar, AAO and Smt.R.Malathy, Accounts Officer of Treasuries and Accounts Department, who were working on deputation, under suspension for their alleged involvement in embezzlement of the DPEP/SSA funds during the period 2004 to 2006. The Government in Education (SSA) Department ordered an enquiry by appointing Hon'ble Justice A.Venkatrami Reddy Commission, into the matter of embezzlement of the DPEP/SSA funds during the period 2004 to 2006. Subsequently, while furnishing a copy of the report of the Hon'ble Justice A.Venkat Rami Reddy, the Education (SSA) Department vide their Memo 2336/SSA/07, dated. 2-6-2008 directed the DTA to

take departmental action against the following persons and also action for the recovery of the loss from them:

- (1) Sri.V.Subrahmanyam, the then AAO (now retired)
- (2) Sri. J. Prasad, the then F & AO, now working as .....Finance (PMU) Department
- (3) Sri. S. Venkaiah, the then F & AO (now expired)
- (4) Smt. R.Malathy, the then F & AO (now retired)
- (5) Sri M.Vidya Sagar, AAO (on compulsory Retirement)
- (6) Sri M.Srinivas, JAO

5. The DTA, on examination of the report, found that the report concentrated primarily on the fraud committed by the main accused Sri.V.Subrahmanyam, AAO in connivance with Smt.N.Sarasa Devi and some outsiders. In chapter VI of the report, it was pointed out that the F & AOs instead of discharging their functions has allowed Sri.V.Subrahmanyam, to perform those functions and enabled the latter to mismanage by opening and closing the Bank accounts and Fixed Deposits and reinvesting and diverting the funds and misappropriated the same and that, the (3) F & A O's were negligent in discharging their duties and that as they enabled Sri.V.Subrahmanyam, AAO to misappropriate the funds, they are responsible for the scam.

***117. The Commission, after examining the PWs 1-6, who have worked as F & AOs, observed that Sri V.Subrahmanyam was exclusively in charge of accounts and was encashing and investing the DPEP and SSA funds in Fixed Deposits without any check on control from the F & AO. His easy access to huge amounts at his beck and call and with no control over him coupled with greed and desire to acquire properties and become rich quickly are the main circumstances that led to the embezzlement. Smt. N. Sarasa Devi, in order to get advertisements for her business and also to get Fixed Deposits in known banks, used to go to the office of the State Project Director. She thus became acquainted with V.Subrahmanyam. Taking advantage of Subrahmanyam's unchannelised and uncontrolled power to invest in fixed deposits and encash them and to reinvest them in banks, both of them together contrived to open fictitious accounts in Vijaya Bank, West Maredpally branch and Indian Bank, Osmangunj branch and to deposit the proceeds of Fixed Deposit receipts and other demand drafts and cheques in the above accounts and thus divert the funds and misappropriate the same. Another circumstance that enabled diversion of funds and misappropriation was improper and lack of maintenance of accounts books as prescribed by Central and State Governments.***

***118. In the Manual on Financial Management and Procurement, the Department of Elementary Education and Literacy, Ministry of Human Resource Development, Government of India, specifically stated that "double entry method based on mercantile system" of accounting shall be followed under SSA and prescribed books of account and registers which shall be maintained by the Society. The Government of Andhra Pradesh in G.O.Rt.No.2135, Education (Programme-I) Department, dated 9-12-1996 and G.O.Rt.No.1756, Education (Programme-I) Department, dated 6-12-1997, to ensure proper accounting of funds and to facilitate effective audit of DPEP account, the Finance and Accounts Officer at State level and Assistant Accounts Officers at District level, prescribed to perform certain duties and responsibilities.***

6. The Commission observed that the above directions are implemented more in breach than in compliance. The essential registers like Fixed Assets Register, Register of Investments, Ledger Accounts, Journals etc. were not maintained. Even the cash book was not regularly and properly maintained. Had these books been maintained, there would not have been any scope for embezzlement of funds. The Commission enquired with the PWs 1- 6, in this regard and observed that the failure to maintain all the account books such as Fixed Deposits Register and by not following the double entry system is also a circumstance facilitating diversion of funds to private accounts.

7. The Commission further observed that from the District Centres they used to send demand drafts or cheques both with regard to interest accrued and unspent balances. Initially, they used to address letters to State Project Director, but it appears that subsequently Sri V.Subrahmanyam sent instructions to all the District headquarters to send cheques and demand drafts in the name of the Finance and Accounts Officer. These Cheques and D.Ds. sent to the Office of the State Project Director were received by Sri V. Subrahmanyam and were deposited in the aforesaid fictitious accounts, one in Vijaya Bank, West Maredpally branch and the other in Indian Bank, Osmangunj branch. It appears that the following amounts were received from the various districts as indicated below and deposited either in Vijaya Bank, West Maredpally branch or Indian Bank, Osmangunj branch in the fictitious accounts and the same were diverted and misappropriated.

1. West Godavari	22,07,616-00
2. Mahabubnagar	4,24,164-00
3. Nizamabad	84,358-03
4. Guntur	22,48,952-43
5. Chittoor	7,98,785-00
6. Vizianagaram	14,00,782-00
7. Rangareddy	17,14,634-00
8. Kurnool	26,34,322-00
9. Prakasam	26,83,283-00
10. Warangal	7,22,940-00
11. Khammam	7,51,369-00
12. Medak	9,09,540-00
13. Srikakulam	6,94,380-00
<b>Total</b>	<b>1,72,75,115-46</b>

8. The Commission after going through the transactions of fictitious S.B. A/c.No.7307, Indian Bank, Osmangunj Branch, observed that the total credits add up to Rs.3,58,88,100.16 Ps. While crediting the balance of Rs.82,348-56 Ps. available on 2-4-2005 to the official account of SPD, this account was closed. **An amount of Rs.3,53,05,752/- was embezzled.** Out of the said amount, 22 cheques amounting to Rs.1,07,90,047 in favour of Saroos Ad Communications Ltd, 19 cheques amounting Rs.78,05,800/- in favour of Apsara Printers, 5 cheques for a total sum of Rs.22,57,125/- in favour of Srishti Arts, 5 cheques for a total sum of Rs.30,26,000 in favour of Sacveda, 2 cheques for a sum of Rs.12,36,100/- in favour of Harsha Graphics, one cheque in favour of Bhavani Graphics for a sum of Rs.1,90,000/- were issued.

9. In respect of S.B. A/C/ No.15107, Vijaya Bank, West Maredpally Branch, the Commission observed that all the credit entries including for sums less than Rs.1.00 lakh made in all the pages of bank statements were arrived to a sum of

Rs.11,31,83,743. Out of this, the statement of account shows that at the time of closing of the account an amount of Rs.1,732-89 was sent by DD by registered post to the SPD office along with a covering letter on 1-9-2006 to the State Project Director. After deducting this amount from out of the total credits, the amount diverted from this account comes to Rs.11,31,82,010-11Ps that the above said amount was diverted from DPEP and SSA or other schemes. **Adding both the amount of Rs.3,53,05,752/- and Rs.11,31,82,010-11, the amount diverted and embezzled from the funds of DPEP, SSA comes to Rs.14,84,87,762-11 Ps.**

10. The following Articles of charges have been framed against Sri V.Subrahmanyam, AAO (U/s) by the State Project Director, SSA (RVM), Hyderabad Vide his Procdgs.Rc.No.350/FC/SSA/2007, dt:10-9-2007:

**Article – I:** That the said Sri V.Subrahmanyam, Assistant Accounts Officer, O/o the State Project Director, Sarva Siksha Abhiyan, Andhra Pradesh, Hyderabad while functioning as Assistant Accounts Officer during 27-07-2004 to 1-9-2006 misappropriated crores of rupees by diverting Government funds by transferring fixed deposits to two bogus SB Accounts operated by him in Vysya bank, West Maredpally Branch and Indian Bank, Osmangunj Branch and also crediting various receipt figures received by SPO from District project Offices in to these bogus accounts.

**Article – II:** That during the aforesaid period and while functioning in the aforesaid office, the said Sri V.Subrahmanyam, Assistant Accounts Officer, O/o the State Project Director, Sarva Siksha Abhiyan, Andhra Pradesh, Hyderabad while functioning in the aforesaid office during the aforesaid period the said V.Subrahmanyam, Assistant Accounts Officer, O/o the State Project Director, Sarva Siksha Abhiyan, Andhra Pradesh, Hyderabad has opened two bogus SB Accounts one in Vijaya Bank, West Maredpally branch on 1-9-04 and another in Indian Bank, Osmangunj branch vide Account No.7307. The above (2) accounts were opened by producing forged letters stating that Sri V.Subrahmanyam is authorized person to operate the accounts and signed as Finance & Accounts Officer though he was Junior Accounts Officer only and not competent to open and operate bank accounts as the accounts Department was headed by Finance and Accounts Officer. In Vijaya bank, West Maredpally Branch, the account was operated in the name of Finance and Accounts Officer. Thus, Sri V.Subrahmanyam, Assistant Accounts Officer, O/o the State Project Director, Sarva Siksha Abhiyan, Andhra Pradesh, Hyderabad has embezzled an amount of Rs.14.98 Crores through the above said (2) bogus accounts.

11. The State Project Director, SSA has appointed Sri.S.Venkateshwara Sharma, Addl. S.P.D, SSA, Hyderabad as Inquiring Authority and Dr.P.Brahmananda Rao, Finance Officer as Presenting Officer to conduct regular inquiry into charges framed against **Sri.V.Subrahmanyam, AAO (U/s)**. The following are the findings of the enquiry officer:

**“Based on the report of the presenting officer and based on the charges leveled against the charged officer, a questionnaire was served on the Charged Officer on 17-02-2009, i.e., on the day of inquiry. In the defense statement submitted on 15-10-2007, the Charged Officer had denied the charges framed vide proceedings .Rc.No.350/FC/SSA/2007,dt:10-09-2007 against him. But, at the time**

of oral inquiry, while giving answers to the questionnaire he admitted all the charges and signed a confession statement.

On perusal of the defense statement and replies to the questionnaire of the charged officer, and verification of records and written arguments submitted by the Presenting Officer the following finding are given.

**The Charged Officer admitted all the charges framed against him vide proceedings Rc.No.350/FC/SSA/2007,dt:10-09-2007 and Charges I to VII framed vide procdgs. Rc.No. 350/FC/SSA/2007, dt. 25.11.2008. Hence the misappropriation of funds to the tune of Rs.14,98,02,000/- is proved. The verification of records also proves the same. Therefore, he is responsible for misappropriation of funds to the extent of Rs.14,98,02,000/-“**

12. The State Project Director, RVM (SSA) has furnished the enquiry report to the DTA in respect of Sri.V.Subrahmanayam, AAO (U/s), for taking further course of action as per A.P.C.S. (CC&A) Rules, 1991. In respect of Criminal proceedings, the case is under trial and the CID is pursuing the case. The Charged Officer, Sri V.Subrahmanyam has submitted his reply to the show cause notice issued by the DTA through his representation, dt:15-6-2010. The Charged Officer while informing that he has already submitted written statement of defense on 15-10-2007 to the State Project Director, Rajiv Vidya Mission (SSA) and the entire charges framed against him were kept pending in the Hon'ble VI ACMM Court, Nampally and ACB Court and requested to take further action against him basing on the judgments of those cases. In other words, it can be said that the charged officer is requesting for awaiting the outcome of the said criminal proceedings. As per the instructions issued in Govt. Memo.No.2261/Ser.C/29-2 of General Administration (Ser.C) Department, dt:23-10-1979, it is not obligatory that departmental proceedings should be stayed when the case is pending in a court of law except when it is expedient to do so in the interest of fair play. In view of the above, there may be no objection to proceed further to finalize the departmental proceedings against the said charged officer.

13. The DTA has informed that the charges proved against the charged officer are misappropriation of Government money and as per G.O.Ms.No.2, General Administration (Ser.C) Department dt:4-1-1999, a punishment of dismissal from service has to be imposed on the Charged Officer. **Further, the DTA has informed that the said charged officer Sri V.Subrahmanyam has retired from service on superannuation on 31-05-2010 and hence further action against him has to be taken under Rule 9 of A.P. Revised Pension Rules, 1980 by the Government.**

14. Government, after careful examination of the Articles of Charge framed against the Charged Officer, Sri V.Subrahmanyam, AAO (Retd.) who is prime accused in the scandal of SSA/DPEP funds, his written statement of defence, findings of the Inquiry Officer and his explanations on the findings of the Enquiry Officer provisionally decided to impose a punishment of withholding his entire pensionary benefits permanently for the charges proved against him in respect of the Charge Memo, dt:10-09-2007 under Rule 9 of A.P. Revised Pension Rules 1980 and to recover the misappropriated amount of Rs.14,98,02,000/- from him under Revenue Recovery Act and issued a final show cause notice indicating the punishment to be imposed on him as per Rule 9 of A.P. Revised Pension Rules, 1980.

15. Sri V.Subrahmanyam, AAO (Retd.) has reiterated his earlier contentions and not put forth any new grounds for consideration in his explanation to the final show-cause notice. Government after careful consideration of material on record observed that the Charged Officer deliberately misappropriated the funds of the DPEP/SSA to a tune of Rs.14.98 Crores by opening of unauthorized bank accounts one in Vijaya Bank, West Maredpally branch with S.B.A/c.No.15107 and the second in Indian Bank, Osmangunj branch with S.B.A/C No.7307 and the Inquiry officer found the Charges were proved substantially beyond any doubt. Therefore, Government came to a provisional conclusion to impose a punishment of withholding his entire pensionary benefits permanently for the charges proved against him in respect of the Charge Memo, dt:10-09-2007 under Rule 9 of A.P. Revised Pension Rules 1980 and to recover the misappropriated amount of Rs.14,98,02,000/- from him under Revenue Recovery Act and referred the matter to the Andhra Pradesh Public Service Commission, Hyderabad for their concurrence vide reference 9<sup>th</sup> read above.

16. The A.P. Public Service Commission, Hyderabad in their letter 10<sup>th</sup> read above, have concurred with the proposal of the Government for imposition of a punishment of withholding his entire pensionary benefits permanently for the charges proved against him in respect of the Charge Memo, dt:10-09-2007 under Rule 9 of A.P. Revised Pension Rules 1980 and to recover the misappropriated amount of Rs.14,98,02,000/- from him under Revenue Recovery Act on the Charged Officer Sri V.Subrahmanyam, AAO (Retd.)

17. Government, hereby order to impose a punishment of withholding entire pensionary benefits permanently on the Charged Officer, Sri V.Subrahmanyam, AAO (Retd.) under Rule 9 of A.P. Revised Pension Rules 1980 and to recover the misappropriated amount of Rs.14,98,02,000/- from him under Revenue Recovery Act.

19. The Director of Treasuries and Accounts, Hyderabad/State Project Director, Rajiv Vidya Mission shall take necessary further action in the matter accordingly.

20. The G.O. is available on Internet and can be accessed at the address <http://www.goir.ap.gov.in>.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**RANJEEV R.ACHARYA**  
**PRINCIPAL SECRETARY TO GOVERNMENT (FP)**

To

The individual through Director of Treasuries and Accounts, AP, Hyderabad.

The Director of Treasuries and Accounts, AP, Hyderabad.

The State Project Director, Rajiv Vidya Mission (SSA), Hyderabad.

Copy to:

The School Education Department.

The Secretary, A.P. Public Service Commission, AP, Hyderabad.

The Secretary, A.P. Vigilance Commission, Secretariat, Hyderabad.

The A.G.(A&E),A.P.,Hyderabad.

SF/SC

**:: FORWARDED BY ORDER::**

**SECTION OFFICER**